



7th October 2016

**House of Lords EU Internal Market Sub-Committee
BREXIT: Future Trade Between the UK and the EU**

Dear Lord Whitty,

I am writing to you in relation to your inquiry into “BREXIT: Future Trade Between the UK and the EU”.¹ We have been invited by your committee to provide evidence to this inquiry on behalf of the UK music industry.

UK Music is the umbrella body representing the collective interests of the UK’s commercial music industry, from songwriters and composers to artists and musicians, studio producers, music managers, music publishers, major and independent record labels, music licensing companies and the live music sector.

The UK music industry contributed £4.1 billion in GVA in 2015, growing by 17% over four years. The sector is responsible for total export revenues of £2.2 billion and employs almost 120,000 people.

UK Music exists to represent the UK’s commercial music sector, to drive economic growth and promote the benefits of music to British society. The members of UK Music are listed in an annex.

UK Music has set out its initial response to the Government on the issues raised by BREXIT. This can be found on our website.² I refer the House of Lords EU Internal Market Sub-Committee to this response. We ask that the committee considers it when addressing its inquiry. I set out within this letter an overview of our approach to the issues that your committee is raising.

UK Music needs the freedom to trade in order to increase global reach and maintain the UK’s position as an attractive place to produce and perform music. We need an industrial strategy for the creative industries to ensure this. This needs to be in place from the beginning of the process of withdrawal from the European Union; i.e. from this point onwards. It should continue throughout and be firmly embedded within any future trade deals that are negotiated once the UK leaves the European Union.

An industrial strategy for the creative industries, which overall accounts for £87.4 billion in GVA and has an export value of £19.8 billion³, should be based on three pillars of trade.

¹ <http://www.parliament.uk/business/committees/committees-a-z/lords-select/eu-internal-market-subcommittee/>

² <http://www.ukmusic.org/policy/industrial-strategy-for-the-creative-industries-2016/>

³ <https://www.gov.uk/government/statistics/dcms-sectors-economic-estimates-2016>

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Firstly, there should be a framework to trade. This framework should be supported by the following outcomes:-

- Maintaining a strong level of protection for copyright, providing certainty for UK creators, performers and rightsholders. Copyright is of fundamental importance to the music industry. It enables creators to derive a financial return for their work and provides an incentive for businesses to invest in creative content. The European Union's competency over copyright means UK domestic legislation is based on Directives emanating from the EU. Certainty is required, particularly given that creative business deals are based on advance planning.
- Strongly supporting enforcement of the law. We would like to see the UK Government continue to work within the EU in relation to commercial-scale infringements (the "follow the money" approach) and specific action regarding cross-border enforcement.
- Creative industries such as the music industry employ many residents of other European member states within the UK on both a short and long term basis. It is paramount that the status of these employees and their ability to work in the UK, including once the UK has withdrawn from the EU, is clarified.
- Following the EU VAT action plan to ensure a harmonised and straightforward application of VAT rules. This would make the administration of VAT rules simpler for companies and individual creators and performers which are active internationally.
- Tackling obstacles associated with withholding tax by maintaining existing exemptions and seeking improved international cooperation. Whilst taxation is generally outside the scope of European harmonisation there is Directive 2003/49/EC on a common system of taxation applicable to cross border interest and royalty payments which alleviates the situation of withholding tax for some creative businesses.
- Resisting any attempts at introducing cultural exceptions and ensure the creative industries are not traded away in any new arrangements. Based on the recent experience of the TTIP negotiations, some European member states have sought to protect their culture against the dominance of Anglo-American culture e.g. by providing for national, European Union quotas, subsidies and offering special support for European Union originated creative works. The UK's membership of the European Union has assisted in keeping this approach to a minimum. UK withdrawal from the European Union may change this.
- Supporting a system that introduces temporary short-term permissions and exemptions for musicians and crews whilst touring the European Union. Leaving the EU could result in restrictions for musicians, crews and freight in relation to live music tours across European member states. This is because freedom of movement may no longer operate in the way that it currently does. European tours for UK bands are important for building fan bases across Europe. As demonstrated by sales data, there exists a great appetite for UK content within Europe.
- Avoiding double taxation or unfair deductions of expenses, social security or VAT for touring artists and crews.

Secondly, we need the incentives to trade. To achieve this, it is necessary to:-

- Extend to music the existing assistance to other creative industries. The music industry should benefit from the same level of fiscal support that film and video games enjoy. The UK Government has introduced a number of creative sector tax credits to incentivise new productions. At present music does not receive an equivalent assistance from the Government.
- Seek assurances from the European Commission that UK music companies can continue to apply for funding through schemes such as Creative Europe up until the point that the UK leaves the EU and that BREXIT will not prejudice these applications.
- Ensure new broadcasting rules encourage international broadcasters to remain in the UK. There is a danger that European Union broadcasters who are currently based in the UK will decide to move to continental Europe to be able to benefit from harmonised broadcasting rules in the European Union. Government needs to ensure that new rules on broadcasting do not create a deterrent for broadcasters to be established in the UK.

Finally, regionalisation of trade should be provided for. This is possible through:-

- Supporting cultural and creative infrastructure, including the introduction of regional development regeneration funds that provide skills and mentoring support in the nations and regions through music.
- Exempt grassroots music venues from business rates and review available funding needs to allow UK venues to compete on a European and international stage.

UK Music is continuing to keep its position on BREXIT under review and is developing its position as greater clarity on the UK Government's negotiating position becomes clearer. We will continue to update your committee with how our position develops.

Yours sincerely,

Jo Dipple
CEO, UK Music

Annex

UK Music's membership comprises of:-

- AIM – Association of Independent Music - representing over 850 small and medium sized independent music companies.
- BASCA - British Academy of Songwriters, Composers and Authors – BASCA is the membership association for music writers and exists to support and protect the professional interests of songwriters, lyricists and composers of all genres of music and to celebrate and encourage excellence in British music writing.
- BPI - the trade body of the recorded music industry representing 3 major record labels and over 300 independent record labels.

- FAC – The Featured Artists Coalition – the voice of the featured artists.
- MMF - Music Managers Forum - representing 425 managers throughout the music industry.
- MPG - Music Producers Guild - representing and promoting the interests of all those involved in the production of recorded music – including producers, engineers, mixers, remixer, programmers and mastering engineers.
- MPA - Music Publishers Association - with 260 major and independent music publishers in membership, representing close to 4,000 catalogues across all genres of music.
- Musicians' Union representing 30,000 musicians.
- PPL is the music licensing company which works on behalf of over 90,000 record companies and performers to license recorded music played in public (at pubs, nightclubs, restaurants, shops, offices and many other business types) and broadcast (TV and radio) in the UK.
- *PRS for Music* is responsible for the collective licensing of rights in the musical works of 114,000 composers, songwriters and publishers and an international repertoire of 10 million songs.
- UK Live Music Group, representing the main trade associations and representative bodies of the live music sector

For more information please contact Tom Kiehl, Director of Government and Public Affairs, UK Music on tom.kiehl@ukmusic.org or 020 3713 8454.